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C O N F I D E N T I A L SECTION 01 OF 10 BRASILIA 001356

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TAGS: [PREL](#) [BR](#)

SUBJECT: BRAZIL: SCENESETTER FOR OCTOBER 16-17 VISIT OF
UNDER SECRETARY OF STATE FOR POLITICAL AFFAIRS WILLIAM J.
BURNS

REF: A. BRASILIA 1265
[1](#)B. BRASILIA 1267
[1](#)C. BRASILIA 1301
[1](#)D. BRASILIA 572
[1](#)E. BRASILIA 645
[1](#)F. BRASILIA 1314
[1](#)G. BRASILIA 1315

Classified By: Ambassador Clifford M. Sobel, reasons 1.4(b) and (d).

[1](#)1. (C) Summary: The relationship between the United States and Brazil is as productive and broad-based as it has ever been, the result of the excellent relationship between President Bush and President Luiz Inacio Lula da Silva, new cooperation mechanisms on biofuels, the CEO Forum, racial integration, and economic matters, and our shared goals of fostering hemispheric stability, promoting democracy, and achieving a mutually satisfactory conclusion to the Doha round of WTO negotiations in the near term. Your visit comes in the midst of an intense time of bilateral activity, with senior-level visits occurring during October across the range of our mutual interests. Although this activity is evidence of the success we have achieved in strengthening U.S.-Brazil cooperation, it continues to be uneven, limited by resistance to closer U.S. ties in some areas of the Ministry of External Relations (MRE, or Itamaraty) and among some senior GoB officials. The GoB's unwillingness to speak out against anti-democratic actions in the hemisphere (Venezuela and Cuba), take proactive steps to address key issues such as nuclear proliferation and counterterrorism concerns, and expand its international leadership in meaningful ways also reduces the effectiveness of our relationship.

[1](#)2. (C) Senior Brazilian officials are watching the U.S. election and transition to a new administration with concern that the momentum built over the last several years continue (see refs A and B on recent meetings with Senator Chuck Hagel). Your visit will be welcomed as an opportunity to review key bilateral matters (including energy and security cooperation), regional issues (the crisis in Bolivia, transition in Cuba, Haiti peacekeeping, regional integration, and the upcoming Summit of the Americas), and global concerns (the global financial crisis, Iran, the Middle East Peace Process, energy security, and United Nations reform) with an eye toward maintaining and expanding the bilateral relationship following U.S. elections. End Summary.

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13. (C) With a nearly 80 percent approval rating, President Lula is more popular than at any other point since he took office in 2003. Continuity and legacy are the guiding lights of Lula's second term. Lula continues to shape his legacy as a friend of the poor and builder of a foundation for prosperity for the lower and middle classes through broad social welfare programs and a vast, new economic growth program of public works and growth incentives. At the same time, Lula has failed to promote needed reforms to abolish a political culture of corruption, clientelism, and spoils. Although a seemingly endless series of corruption scandals has not dented his personal popularity or that of his government, these scandals have felled political allies, including cabinet ministers, in recent years.

14. (C) Lula is concerned with finding an electable successor for 2010, and appears to be grooming his top domestic policy adviser, Minister Dilma Rousseff, while keeping other options open. Attention in the media and among the political elite is already focused on the race, and persistent public worries about chronic unaddressed domestic problems such as public safety, health care, and unemployment could defeat Lula's goal of installing his chosen successor; the opposition governor of Sao Paulo state and former presidential candidate, Jose Serra, currently leads the pack of possible presidential candidates. His position appears to have been strengthened in the first round of country-wide

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municipal elections held on October 5, and will be strengthened further if the candidate he is backing for Sao Paulo mayor wins in the second round election on October 26.

An Emerging Global Economic and Energy Power House

15. (U) President Lula and his economic team,s prudent fiscal and monetary policies and reform efforts are a major reason for his popularity, and have resulted in Brazil,s position as the tenth largest economy in the world, with a trade surplus and BB credit rating. Annual GDP growth was 5.4 percent for 2007, and inflation approximately 4 percent. Buoyed by exports and investment inflows, Brazil's currency, the real, has been strong, although it has recently been weakened by the global financial crisis. The United States is Brazil's top trading partner and China has just moved in position as number two. Brazil is both an investor overseas and a destination for foreign direct investment, as well as being both an assistance donor and recipient. There are major structural challenges to long term growth. Real interest rates are among the highest in the world. The informal sector constitutes an estimated 40 percent of the economy, in part due to the tax burden (approximately 37 percent of GDP), one of the highest among large developing economies. Brazil,s opaque and onerous regulatory and legal system, as well as poor transport and other infrastructure, continue to constrain growth.

16. (SBU) Brazil's leadership in development and use of biofuels and the recent discovery of potentially massive offshore reserves of oil and gas have made Brazil, in a relatively short period of time, into a potentially major player on the global energy scene. Brazil's newfound energy prowess, along with the success thus far of its economic policies, is contributing to its growing confidence as a

global player. President Lula has invited President Bush to attend an international biofuels conference that he will host in Sao Paulo November 17-21 as a means to further enhance leadership in that field. The new off-shore deepwater oil reserves (known as pre-salt) are publicly estimated to contain between 50-100 billion barrels of oil equivalent, though some highly-placed insiders tell us they believe these estimates may be the lower limit of the newly discovered resources. The Lula government has great expectations for the revenue that will eventually be gained through exploiting these new areas, talking of a "Marshall Fund" for education and social projects, while other commentators advocate military investment or infrastructure development. The GOB is also planning major investments to support the industry including development of ports and refineries) all of which represent opportunities for U.S. commercial interests. Although industry observers caution that the technological challenges involved with ultra-deepwater drilling are extensive, meaning that developments will probably be slow in coming, the oil discoveries could put Brazil within the top ten oil countries by reserves.

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Foreign Policy: Not Seeing Eye to Eye
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¶7. (C) Although in many ways pragmatic, the Lula administration harbors a strong leftist ideology on foreign policy that has resulted in actively favoring South-South relationships over those with the United States and Europe. Coupled with Itamaraty's historic reticence to take controversial positions and almost obsessive concern with "even-handedness," this often leads Brazil to take positions on key issues that we find disappointing. Continuing, specific areas of disagreement, some of them significant, will not be easily resolved in the short term.

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-- Iran: Although careful to comply with UNSC sanctions, Brazil does not seem to see Iran as a serious threat. Instead, the GoB is determined to maintain and even increase ties with Iran, both for commercial reasons and because it sees Iran as an independent, up-and-coming power in the Middle East. GoB officials insist that Brazil is a friend of both the United States and Iran, and they have been reluctant to criticize Iran for flouting the international community in its nuclear pursuits. President Lula has made clear that he intends to visit Iran, probably in early 2009.

-- Middle East Peace: Brazilian officials consider their seat at the table in Annapolis as a foreign policy success and see themselves as balanced in their dealings with Israel and the Palestinians, but they have yet to define a substantive role for Brazil. FM Amorim has suggested that Iran, Syria, Hamas, and Hizbollah should be included in the negotiations, and GoB officials are seeking to increase their engagement on the issue. FM Amorim traveled to Israel and Palestine earlier this year in preparation for a visit by President Lula, probably around the Arab States-South America (ASSA) Summit being hosted by Qatar in early 2009.

-- Cuba transition: Brazil continues to take a soft line on the Cuba transition, refusing to raise in any significant way the abuses that continue to occur. We have been told repeatedly by senior GOB officials that they believe Cuban leadership will opt for a "Vietnam" model of transition, loosening economic control while maintaining tight political control, rather than an "Eastern European" model. The GoB has invited Cuba to participate in the first-ever Latin America-Caribbean Summit that Brazil will host in December (see para 9).

-- UNSC Reform: Attaining a permanent seat on the UN Security Council has been a central tenet of Brazil's foreign policy under Lula, and most of Brazil's actions on the international

stage are taken with that goal in mind. Brazil desperately seeks U.S. support for its aspirations, and has been pleased by comments by senior USG officials indicating that we see Brazil as a viable candidate. However, Brazil has so far largely failed to assume the international leadership role that would make it a strong candidate for such a position. Brazil's latest two-year stint on the UNSC, which ended in January 2006, was characterized by caution and equivocation rather than vision and leadership. The GoB has not yet used its significant contribution to stability in Haiti as a step along the road to becoming a champion of international peace and security. Moreover, Brazil's single-minded focus has yet to take into our broader interest in UN reform, an interest which we need to discuss more fully with them.

-- Global Democracy, Peacekeeping, and Assistance Initiatives: Brazil has joined the Partnership for Democratic Governance and Community of Democracies, but has yet to take action under these initiatives. Requests for assistance on key global issues--peacekeeping in Darfur and assistance to Afghanistan's army are two recent examples--have almost without exception gone unanswered. Brazil often attends donor conferences when asked, but generally does not respond to requests to "cooperate" with countries outside the region and the small group of Lusophone countries. (Note: Brazil refuses to be classified officially as a "donor" that provides "assistance," instead identifying such efforts as "cooperation." End note.) Brazil has, however, warmed to what it calls "trilateral cooperation," working together with the United States and, separately, other donor countries on discrete projects in third countries, especially other Lusophone countries, as well as a few others in Africa, Central America, and the Caribbean.

-- Trade and Climate Change: A significant exception to Brazil's reticence has been in WTO Doha Round negotiations, where Brazil has been a significant leader, and has opted to focus on its own national interest in supporting a compromise solution, despite the resistance of its Mercosul (Argentina) and G-20 developing country partners (India and China). Likewise, Brazil's significant interests in the climate

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change arena have led it to take a leadership role in negotiations.

¶8. (C) Regionally, Lula has maintained Brazil's historic focus on stability, seeing dialogue and good relations with all parties as the best way to achieve this goal. As a result, Brazil maintains an active dialogue with and refuses to criticize human rights violations in Venezuela and Cuba, has worked hard to restore and maintain relations with Bolivia and Ecuador, even at the expense of its own economic interests, and stood firmly on the principle of respect for sovereignty, with no official mention of counterterrorism concerns, in responding to the dispute between Colombia and Ecuador. Brazilian interlocutors have made clear that lobbying to secure Venezuelan entry into Mercosul is based on political interest in containing Chavez, in full recognition that Venezuela's membership will complicate internal and external Mercosul trade negotiations.

¶9. (C) Brazil is driving the creation of new regional integration processes, including the Union of South American Nations (UNASUL), the South American Defense Council (SADC) and, most recently, the summit of Latin American and Caribbean nations that Brazil will host in Salvador, Bahia in December (ref C). Although Brazil insists that these groupings are not exclusionary, President Lula and other senior officials have made statements suggesting that, at least to some extent, they are intended to diminish U.S. influence in the region. Cuba has been invited to participate in the December LAC summit, while the United States and Canada were not. The other 32 countries invited are identical to those participating in the 2009 Summit of the Americas. Brazil remains lukewarm regarding the Summit

of the Americas process.

Improving Relationship, But Cooperation Remains Uneven

¶10. (C) In general, Brazil's foreign policy is dominated by symbolic steps to burnish its South-South and global credentials rather than by resolute attention to core political and economic interests, including strengthening bilateral political and trade relations with its principal trading partner, the United States. Nonetheless, although the GOB continues to favor building ties with developing nations over closer relations with the United States and other developed nations, it pursues friendly relations with us and considers the bilateral relationship to be a good and improving one. The result has been uneven in terms of concrete cooperation. While seeking to expand our bilateral dialogue, the GoB has studiously avoided working closely with us on broad strategic issues important to us. Itamaraty, in particular, continues to be problematic, both because of its insistence on controlling as much of the relationship as possible, and because of nationalist and leftist elements scattered throughout the bureaucracy, including some at high levels who remain opposed to strengthening the relationship with the United States.

¶11. (C) Those issues on which it has been willing to work with us--biofuels, for example--are areas where the GoB considers itself a visibly equal partner. The appointment of Nelson Jobim as Defense Minister has brought new interest in security cooperation, but it appears that in this area, as with our efforts on counternarcotics, environmental protection, counterterrorism, and other issues, MRE is seeking to maintain its historic dominance over relations between the USG and other Brazilian agencies. Itamaraty does this by controlling the agenda and throwing up barriers that delay and sometimes scuttle bilateral efforts that other ministries support. Despite the challenges, we have had some important successes in establishing greater cooperation, and continue to seek new areas where the GOB is amenable to joint action (refs D and E).

¶12. (SBU) Economic cooperation is the principal driver of our cooperative agenda. We continue to seek opportunities for positive bilateral cooperation through the mechanisms

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including the Economic Policy Dialogue (EPD), with the third session planned in for October 30 in Brasilia. The EPD provides an important opportunity to reinforce our view of Brazil as partner in areas of mutual interest. Cooperation to foster innovation and agricultural coordination, to possibly include assistance to African countries, are new topics of conversation bilaterally. Additionally, we have been working to develop a regional infrastructure initiative.

This past summer we succeeded in reaching an agreement to significantly civil aviation opportunities between our two countries. We have been exploring one another's regulatory frameworks in hopes of addressing barriers and achieving a Bilateral Tax Treaty and a Bilateral Investment Treaty.

¶13. (C) The bilateral CEO Forum, which met most recently on October 9-10 in Sao Paulo, is proving to be a valuable mechanism for addressing issues of common interest to our business communities. The Forum has worked with the GoB and USG to increase airline flights, including establishing new connections direct from the United States to Northeast Brazil; has helped reinvigorate the Bilateral Tax Treaty talks; and has encouraged the two governments to find solutions to long waiting periods for visas. At a lunch with CEOs on Oct 10, President Lula was extremely supportive of the forum and discussed the possibility of adding energy to the agenda, which the CEOs were already planning.

¶14. (C) USAID has been reduced to a small program, especially in comparison with the scale of assistance activities in the

1960,s. USAID has sought to leverage its limited funds to promoting sustainable livelihoods through working on issues such as health, the environment, and small and medium-sized enterprises. Most recently, as a means of better leveraging these scarce funds, USAID has initiated a public-private partnership, Mais Unidos, to coordinate efforts of over 100 U.S. companies in Brazil in addressing the pressing needs in Brazil's impoverished Northeast. As in other areas, development cooperation faces significant hurdles. The Brazilian Government's multi-billion dollar poverty alleviation program -- Bolsa Familia -- receives technical assistance from the World Bank and IDB, but USG budget constraints and the fact that it is a cash transfer program (albeit with conditions) keep us from actively cooperating with the initiative. The GoB also rejected our flagship regional environmental program, the Amazon Basin Cooperation Initiative, out of concerns over regionalization of Amazon management. The program has been transformed into a bilateral activity.

¶15. (SBU) The Brazilian public has a mixed view of the United States. Seventy-five percent say relations between Brazil and the U.S. are very good or fairly good, and Brazilians by a wide margin consider the U.S. the most important country in the region for Brazil. Those who follow the news know that U.S.-Brazil cooperation on trade issues has global importance and new areas of cooperation such as biofuels are potentially significant. There has been a much more positive view of U.S.-Brazil cooperation since the signing of the biofuels MOU last year. On the other hand, there is a good deal of skepticism about U.S. foreign policy, particularly on issues such as Iraq and Cuba. Resentment over the long wait times for U.S. visa applications, a product of a spike in demand without commensurate increases in staffing, has been mitigated in the last six weeks by a country-wide consular surge initiative. Brazilians have a high degree of interest in the U.S. presidential election, which has generated almost as much press coverage in Brazil as the municipal elections.

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Shared Interests: Regional and Global Security
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¶16. (C) Brazil established a Ministry of Defense (MOD) for the first time in June 1999, uniting the three services (Army, Navy, and Air Force) under a single minister. Nelson Jobim became Minister last year when the disastrous crash of a Brazilian airliner highlighted weaknesses in the civil aviation system, which comes under MOD purview. At President Lula,s direction, Jobim and Strategic Planning Minister Roberto Unger spearheaded are spearheading a new

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defense strategy document to set an overall course on security issues. While not yet published (due to interagency disagreements on several points), it is widely reported that the strategy will have three main elements: modernization of the armed forces, revitalization of defense industries and implementation of a new regime of national service. We expect that an important result of the new strategy will be an increase in funding devoted to national defense, which has been under-resourced since the end of the military government over twenty years ago. However, there are also certain to be nationalist elements to the strategy, including a commitment to build a nuclear submarine, which is difficult to justify on strictly security grounds. Nonetheless, the resurgence of importance of the Brazilian military presents a unique opportunity to increase our bilateral cooperation and defense partnership.

¶17. (C) The first potential watershed in achieving a more robust defense relationship with Brazil will be the decision on a next generation fighter aircraft. Boeing,s F18 Super Hornet is a finalist along with the French Rafale and Swedish Gripen. A decision will be made in March 2009, with a final contract award in October of next year. It would be

difficult to overstate the significance of Brazil,s Air Force committing to a U.S. aircraft as its primary fighter for the next generation. Boeing,s proposal combines cutting edge technology with a strong package of industrial cooperation. While the Super Hornet is clearly Brazil,s best option both because of its capabilities and the advantages that interoperability with the U.S. military will bring, it is currently perceived as an underdog in the competition. This is because of effective disinformation that has led most Brazilian decision makers to believe that the U.S. will not transfer superior military technology to Brazil. Several Cold War era denials of military items (e.g. Harpoon missiles), recent headaches with commercial exporters of military items (Honeywell gyros), and in particular Brazil's inability to transfer the Super Tucano, a Brazil-produced plane, to Venezuela all seem to reinforce this perception. Your visit offers an opportunity to drive home the point that the U.S. is offering the best product, the best prospects for long term cooperation and support and is committed to transfer of the applicable technologies.

¶18. (C) There are a number of areas with prospects for cooperation, but progress has been slow. The bilateral defense working group will meet for the first time in six years in early. Although the Brazilians initially We are in the process of pursuing information sharing agreements with Brazilian military services -- potentially leading to a GSOIA, although bureaucratic concerns have repeatedly caused delays. We have been stalled on our Defense Cooperation Agreement (DCA) for almost a year because of Itamaraty's failure to take action and the MOD,s unwillingness to burn political capital to push this. While this situation is unlikely to change, the DCA is important for future partnership, especially as it can shorten the process of approval for various future cooperative activities. Brazil has signed a large number of similar agreements this year, so ours will not be a precedent and could be seen in the context of normal friendly relations.

¶19. (SBU) The April announcement of the reactivation of the Fourth Fleet caught Brazil by surprise and provoked much negative commentary. Even some normally rational Brazilians believe that the announcement, coming as it did almost simultaneously with the discovery of more oil off the Brazilian coast, could not have been a coincidence but was somehow mysteriously related to the security of Brazil,s oil. While Brazilian military leaders have said they understand the reasons for the Fourth Fleet,s standup, President Lula has recently stated again that it poses some threat to Brazil. While Lula,s statement was pure domestic politics and his advisors have assured us that he understands the true nature and purpose of the Fourth Fleet, we need to continue to remind Brazilian leaders that spreading such inaccuracies is counter productive in terms of the cooperative relationship we are trying to build. In a similar vein, discoveries of oil off Brazil,s coast have

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been cited as justifications for increasing Brazil,s navy. While the oil finds will almost certainly increase Brazil,s future prosperity, we should seek to turn the strategic dialogue in Brazil away from fantasies that another country--potentially the United States--would try to seize the oil fields to a productive discussion of energy security and the importance of maintaining freedom of the seas. Brazil,s more sensationalist press routinely covers statements from environmentalists on preserving the rainforest as though they were calls for invasion (presumably by the United States).

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Shared Interests: Law Enforcement Cooperation
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¶20. (SBU) Bilateral work on law enforcement issues is a highlight of the relationship, and a potential area for

increased cooperation, as public security is frequently cited in opinion polls as the most pressing concern for Brazilians.

This concern reflects distressing crime statistics, including a murder rate on the order of 25 per 100,000 people, over four times the murder rate in the United States (5.7 per 100,000 in 2006). Newspapers earlier this year trumpeted the headline that total homicides during the last 30 years are approaching the staggering figure of 1 million (compared with a little over 500,000 for the U.S. in the same time period). Since 1991, homicide trends in Brazil and the United States have taken opposite courses: through 2006 the number of homicides in the U.S. had dropped 31 percent, while Brazil's rate increased 51 percent.

¶21. (SBU) The Resident Legal Advisor who arrived this year is working in support of USG law enforcement agencies and the political and economic sections to expand and intensify our relations with the judiciary, prosecutors, and Brazilian law enforcement. The Narcotics Affairs Section (NAS) recently signed a new Letter of Agreement, which has allowed us to move forward to expand cooperation on counternarcotics and countercrime issues. New initiatives under this agreement will seek to expand our Brazilian law enforcement capabilities to stop the drug trade at air and seaports. The new LOA will also expand our cooperation at the state level. We plan to provide training and equipment to increase the capabilities of local law enforcement to combat the growth of organized crime in Brazil's major cities, as the same gangs that are creating public security problems also control trafficking and distribution of drugs.

¶22. (C) Cooperation on counterterrorism matters remains good at the operational level, and we regularly obtain valuable information from GoB sources on terrorism. The Lula administration recently re-structured its intelligence apparatus to beef up their counterterrorism focus, although this has been stalled by a recent wiretapping scandal involving Brazil's intelligence agency (refs F and G). The senior policy levels of the GoB, however, have refused to publicly endorse U.S. counterterrorism initiatives and, wary of offending Brazil's large, prosperous and influential Arab population, make every effort to downplay in public even the possibility of terrorist fund-raising going on inside Brazil, a situation exacerbated by their refusal to consider Hizballah or HAMAS as terrorist organizations. The Lula administration failed to introduce long-delayed draft legislation outlawing terrorist-related activity, including its financing.

¶23. (C) In the 1990s the governments of Argentina, Brazil, and Paraguay established a mechanism, which the US joined in 2002 at their invitation, to address illicit activities in the tri-border area (TBA) joining Foz de Iguacu in Brazil, Ciudad del Este in Paraguay, and Puerto Iguazu in Argentina. The TBA concentrates a range of organized criminal activities, including arms and narcotics trafficking, document fraud, money laundering, as well as the manufacture and movement of contraband goods. A wide variety of counterfeit goods, including cigarettes, CDs, DVDs, and computer software, are moved from Asia into Paraguay and transported primarily across the border into Brazil. The

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United States remains concerned that Hizballah and HAMAS are raising funds in the TBA by participating in illicit activities and soliciting donations from extremists within the sizable Muslim communities in the region. The effectiveness of this group is hampered by GoB denials of any potential terrorist activity taking place in their territory. Last year, the GOB rejected a USG suggestion to broaden the scope of the 3 Plus 1 meeting beyond counterterrorism cooperation in the TBA. The United States will host the next meeting of the 3 Plus 1 group in spring 2009, giving us an opportunity to reinvigorate this process.

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Shared Interests: Fighting Discrimination

¶24. (SBU) During her visit in April, Secretary Rice signed a bilateral Joint Action Plan to Eliminate Racial and Ethnic Discrimination and Promote Equality (JAPER) with Brazilian Minister of Racial Equality Edson Santos. On October 31, WHA Assistant Secretary Shannon will lead the U.S. delegation to the first meeting of the bilateral steering committee created to supervise the JAPER. Comprising close to half of Brazil's population, over 90 million people, Afro-Brazilians are widely discriminated against by the broader society. Brazilians often reject the notion that discrimination is widespread, both as a result of differing conceptions of race from that generally accepted in the U.S.--officially, only seven percent of Brazilians are considered Afro-Brazilian--and because of the overlap of racial discrimination with poverty. Nonetheless, there is increasing recognition that discrimination is tarnishing Brazil's image as a modern, multi-racial, multi-ethnic democracy. President Lula is personally committed to tackling Brazil's racism issue. He has appointed more Afro-Brazilian members to his cabinet than any previous president, named the first black justice to the Supreme Federal Tribunal, and created the Cabinet-level position of Special Secretariat for Policies to Promote Racial Equality (SEPPIR).

Shared Interests: Nuclear Non-Proliferation

¶25. (C) Brazil has recently announced its intentions to resurrect its long dormant civilian nuclear program. Brazil does not currently have an active nuclear weapons program, having voluntarily closed their program decades ago. Although Brazil currently only has 2 plants operating in Rio State, contributing just 2 percent to the electrical supply, it has recently announced its intention to complete the third planned reactor and build 4-8 new ones by 2014. The GOB has expressed interest in working with the United States as they move toward developing their nuclear sector. Brazil would like to master uranium enrichment technology so that it can convert its large uranium reserves into nuclear fuel. For the time being, Brazil is looking at providing fuel for its own reactors and building up a strategic reserve, though sometime in the future it may be interested in exporting nuclear fuel. Currently, Brazil turns to Canada and Europe to process uranium into fuel.

¶26. (C) Brazil has not signed an IAEA Additional Protocol, despite our continued urging that they do so, but neither have they officially refused. The GoB is cautious about taking an active role on non-proliferation and has consistently refused to take a strong position against Iran's nuclear efforts. Although the GoB has been careful to comply fully with UN sanctions against Iran and has asserted the importance of Iranian compliance with UN resolutions, the GOB has also stressed Iran's right to develop nuclear energy for peaceful purposes. Citing efforts with North Korea, the GoB has made clear that it believes dialogue is the best option to ensure Iran is not a threat to the global community. In discussions on non-proliferation, GOB officials generally stress the importance of pursuing disarmament at the same time.

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Shared Interests: Biofuels Cooperation

¶27. (SBU) Under Secretary for Economic Affairs Jeffery met with his counterpart in Brasilia on October 3 for a meeting of the bilateral Biofuels Steering Committee created by our March 2007 Biofuels MOU. The initiative has provided the

groundwork for increasingly positive bilateral relations and has produced some notable results, including a model for biofuels standard regimes internationally, cooperative efforts to aid Haiti, El Salvador, St. Kitts and Nevis, and the Dominican Republic in developing their own ethanol capacity. The GoB and USG are pursuing cooperative scientific activities to develop the next generation of biofuels. The October meeting achieved agreement to expand third country cooperation to a new tranche of countries (Guatemala, Guinea-Bissau, Honduras, Jamaica, and Senegal), to be announced at the upcoming international biofuels conference. The National Renewable Energy Laboratory and Petrobras' CENPES lab have agreed to a MOU to coordinate research on next generation technologies to be announced at the November biofuels conference.

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Shared Interests: Global Financial Crisis
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¶28. (U) The fact that your trip coincides with the escalating financial crisis means this will be an inescapable topic in some of your meetings. In response to the financial crisis, Brazil's Central Bank has partially reversed its hawkish anti-inflationary policies by adding 13.2 billion reais to the financial system in hopes of freeing up credit and has indicated that future interest rate hikes are unlikely given the diminishing threat of inflation due to a global slowdown and falling commodity prices, though most observers expect to see one last hike in interest rates at the end of October. Brazil's Finance Minister continues to assert that Brazil is well-positioned to weather the crisis. President Lula continues to criticize the United States publicly for a lack of financial regulation, calling for a global regulatory body is needed to address the situation. Lula has finally admitted that the Brazilian economy may be adversely impacted by the crisis, drawing widespread criticism for not having a real grasp on the potential of the crisis. Although Brazilian markets have taken a beating in recent days and the real has seen an erosion of its strength from earlier this year, large Brazilian companies are confident that they will weather the storm, though there are worries about the effect of a tightened credit market for smaller enterprises.

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Shared Interests: Reducing Visa Wait Times
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¶29. (U) The State Department has been working with the GoB to resolve a growing problem caused by a near tripling in non-immigrant visa loads over the last several years. With support from CA and WHA, the Mission is in the midst of a visa "surge" that has already brought wait times down significantly from well over 100 days to more reasonable wait times. The surge has garnered positive press and, with the addition of six new consular positions, we expect to be able to maintain wait periods at the new levels. In addition, we have now reached agreement with Itamaraty on language for an agreement that will allow us move toward a ten-year visa, one of the top priorities for companies participating in the bilateral CEO forum.

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Conclusion: A Partner in Need of Attention
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¶30. (C) The breadth and depth of relations between the United States and Brazil have grown enormously in the past few years, and Brazilian officials from the President down are genuinely concerned that the next administration continue and

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build on the achievements we have made. Although cooperation with Brazil is rarely easy to achieve, our successes demonstrate what is possible, and Brazil's growing economic

and political clout on the global stage have increased the value to U.S. interests of cultivating this partnership. Your visit offers an opportunity to point Brazil in directions that will make our relationship even more productive, and will allow the senior Brazilian policymakers and thinkers you meet an opportunity to brief us on what they believe to be the most promising areas for cooperation in the coming years.

SOBEL